

Message Text

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64

ACTION OPIC-12

INFO OCT-01 ARA-16 ISO-00 EB-11 AID-20 COME-00 TRSE-00

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R 161530Z MAY 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3325

LIMITED OFFICIAL USE BRASILIA 3494

PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: ARVIN INDUSTRIES; INC. (OPIC APPLICATION NO. 512-74-025)

REF: STATE 94696

1. EMBOFF DISCUSSED SUBJECT APPLICATION AT LENGTH WITH CENTRAL BANK OFFICIAL NOBRE. NOBRE INDUCICATED THAT INDEED HE WAS NOT REPEAT NOT AWARE THAT SUBJECT APPLICATION INVOLVED HOLDING COMPANY. QUESTIONNAIRE SUPPLIED BY BRAZILIAN COMPANY CONTAINED INFORMATION RELATING ONLY TO INVESTMENT BY ARVIN INDUSTRIES IN ARVIN INDUSTRIA E COMERCIO LTDA OF THE \$960,000 EQUITY WITHOUT DESCRIBING THE DISBURSEMENTS TO AUTO ASBESTOS SA AND ARVIN DO BRASIL SA.

2. DURING DISCUSSION NOBRE FURTHER CLARIFIED BANKS' POLICY TOWARD HOLDING COMPANIES, INDICATING THAT THE BANK DOES NOT OBJECT TO A HOLDING COMPANY IF ITS OPERATIONS HAVE A POSITIVE EFFECT ON THE BRAZILIAN ECONOMY, THAT IS, THE INVESTMENT INCREASES INDUSTRIAL OUTPUT OF THE COMPANIES FACILITIES. NOBRE ALSO STATED THAT IN DETERMINING THIS POSITIVE EFFECT, THE BANK REQUIRES INFORMATION SHOWING HOW THE INVESTMENT IS DIRECTLY APPLIED TO INCREASING PRODUCTIVE CAPABILITY AS WELL AS THE METHOD USED TO TRANSMIT THE FUNDS FROM THE US FIRM THROUGH THE HOLDING COMPANY TO THE OPERATING COMPANY. FURHTER,
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ACCORDING TO NOBRE, THE BANK DOES NOT, IN

DETERMINING POSITIVE EFFECTS, MAKES A DISTINCTION BETWEEN EQUITY AND "DEBT" INVESTMENT.

3. ACCORDINGLY, NOBRE STATED THAT IN HIS OPINION, THE BANK WOULD NOT HAVE ANY PROBLEMS ISSUING AN FGA TO ARVIN FOR THE TWO MILLION "DEBT INVESTMENT" IF THE COMPANY CAN SUPPLY TO THE BANK INFORMATION SHOWING THE POSITIVE EFFECT OF THE PROJECT. IT IS EMBASSY'S OPINION THAT THE MOST EXPEDITIOUS METHOD TO HANDLE SUBJECT APPLICATION WOULD BE FOR ARVIN TO INSTRUCT ITS BRAZILIAN AFFILIATE, ARVIN INDUSTRIA E COMERCIO, TO SUBMIT A REVISED QUESTIONNAIRE TO THE CENTRAL BANK DETAILING THE ENTIRE OPERATION, INCLUDING THE 960,000 AS WELL AS TWO MILLION DOLLAR INVESTMENT. AS THE BANK USES THE INFORMATION SUPPLIED BY THE BRAZILIAN COMPANIES AS ITS BASIS FOR REVIEWING APPLICATIONS, THIS CHANNEL WOULD BE THE MOST AUTHORITATIVE, AND WOULD HELP CORRECT NOBRE'S CURRENT IMPRESSION THAT THE BRAZILIAN FIRM MAY HAVE BEEN ATTEMPTING TO SLIDE ITS APPLICATION THROUGH THE BANK BY NOT PROVIDING ALL NECESSARY DATA.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
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